

CENTRAL INTELLIGENCE AGENCY

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1. The entire foreign trade plans of East Germany for 1954 became questionable to a large extent as a result of negotiations with representatives of the Soviet High Commission which took place toward the end of November 1953. Representatives of East Germany at these negotiations are reported to have stated that until such time as the questionable status of East Germany's trade plans is clarified, no further export commitments may be made.
2. In October 1953, the East German Government was informed of the planned return of SAG plants to the East German economy. At this time, it was the common view of authoritative East German officials that the entire production of the SAG plants would go to East Germany after 1 January 1954, and that this production could be used to expand the export program. This assumption was then used in drawing up foreign trade plans.
3. The Russian-East German negotiations, however, which took place in November 1953, and which led to the return agreement, contained provisions which destroyed the basic assumption on which the East German foreign trade plans had been based. These provisions were as follows:
  - a. The 33 SAG plants to be returned, according to the Russians, had been granted credits in the amount of 1.3 billion DME on which interest would have to be paid for at least another six years.
  - b. Stocks in the SAG plants in the possession of the Russians were evaluated at 181 million DME. Thus, the Russian stockholders have a 12% interest in the annual turnover which, for 1954, is estimated to be at least 5 billion DME.<sup>2</sup>
  - c. The interest on the credits to the SAG plants and the dividends on the stock are to be transferred to the Russian-controlled Garantie-und Kreditbank.
  - d. On the basis of the interest and dividend payments due from East Germany.

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the Garantie-und Kreditbank is empowered to have first priority in placing orders for East German manufactured goods and may export or re-sell them.

4. The apparent results of these provisions has subdued East German optimism in regard to increased ability to export after 1 January 1954. The practical result is that the USSR, through these financial manipulations, is able to transform a part of the reparations deliveries into export orders without paying for them.

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